(b) All field formations of the Customs Department including the Directorate of Revenue Intelligence (DRI) are alert to detect and prevent smuggling of foreign currency.

(c) All out efforts are being made to collect reliable and workable intelligence to unearth new modes of smuggling and to apprehend the smugglers. Surveillance in respect of sensitive flights has been stepped up. Staff is being trained to be aware of new *modus operandi* being used by the smugglers.

EU model of VAT

58. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are seriously thinking of adopting the EU model on application of VAT in the country;

(b) if so, the details of such model;

(c) in what manner it would help the country; and

(d) the reasons for postponing the introduction of VAT at State-level by one year?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) to (c)The States and Union Territories have decided to replace the existing sales tax system with a Value Added Tax (VAT) system. To facilitate operation of State level VAT system, some reforms in the existing Central Sales Tax Act have become necessary. The National Institute of Public Finance and Policy (NIPFP) was asked by the Government to study the reforms of inter-State taxation for the Indian Union. Many existing models like the Canadian model, Brazilian model and the European Union model have been reviewed by the NIPFP. NIPFP has suggested that to establish a common market within India, the basic features of the VAT system in the European Community, like free movement of goods, capital and manpower across the

national (in the case of India, State) boundaries is a good example for a federal country like India.

(d) Postponment was found necessary to enable completion of various legislative measures as well as administrative actions in areas like computerisation, staff training, allaying apprehensions about the VAT system in certain sections of trade and industry, etc.

Fake currency notes

59. SHRI RAMDAS AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the news-item appearing in the Hindustan Times, dated 26th January, 2002 captioned, "Read dilemma: No authority to authenticate .fake currency notes in India";

(b) if so, the details thereof;

(c) whether his Ministry in consultation with RBI has so far issued any guidelines to law enforcement agencies for identification of fake currency notes; and

(d) if so, the number of fake currency rackets busted during 2001-2002 including one reported in The Hindustan Times, dated the 31st January, 2002 and what action Government has taken thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) Yes, Sir. The news-item mentions the difficulties faced by Police in obtaining expert opinion regarding genuineness or otherwise of seized suspected counterfeit notes, from the Note Printing Presses.

(c) Yes, Sir. The Security features of bank notes have been made available to the Police authorities and training programmes are also arranged by the Reserve Bank of India (RBI) offices from time to time for the police officers to enable them to identify the fake notes.

(d) As per the records maintained by National Crime Record Bureau (NCRB) there were 852 incidents of seizure made by the Police, involving 1399 accused, during the year, 2001.